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TRADE POLICY REFORMS AND STRENGTHENING INSTITUTIONAL CAPABILITIES WITHIN THE CONTEXT OF STRUCTURAL ADJUSTMENT PROGRAMMES

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I. INTRODUCTION

1. During the last 25 years African countries have been attempting to assess their overall economic performance with a view to mapping out possible strategies for the improvement of their trade performances. Ten years after the adoption of the Lagos Plan of Action the economies of this continent continued to be hard it by a deep and intensifying crisis. A crisis that started because of a persistant world recession that had such a devastating impact that many economies of developing Africa find difficult to overcome. Subsequently on the other hand, there have been clear signs of recovery in developed market economies during the last three years which have not spread on to the African economies. The structurally dependant and excessively extroverted African economies were not in a position to protect themselves from the impact of the past recession coupled with an increasing debt burden, demography, drought, desertification and in certain cases domestic mismanagement of the economies. With regard to trade, this has, once more, revealed the shortcomings of national development policies and the limits of primary commodity export-oriented trade promotion policies.

2. The strategy of self-sustaining and collective self reliance advocated in the Lagos Plan of Action calls for a reversal of priorities and a gradual break with the system of quasi-imperial preferences which have hitherto prevailed in Africa's trade relations with developed countries. The order of priorities required under the Lagos Plan of Action is based on the setting of economic growth on indigenous footing and the fastening of international development factors in national, subregional and regional structures such as the intergovernmental trade organizations. The rationale of this is that Africa's external economic relations should contribute to the continent's development and not to the transmission of growth to development poles outside Africa as is the case now.

3. In line with the strategy for restructuring the markets for intra-African trade, the Lagos Plan of Action recommends the reduction or elimination of trade barriers through the establishment and/or strengthening of preferential trade areas or similar institutions. The setting up and/or rationalisation of mechanisms for facilitating and developing trade should also constitute an integral part of the overall trade policy implications of the Lagos Plan of Action.

4. It is for this reason among others that this paper (a) broadly reviews the situation of the trade sector in the light of current externally induced adjustment programmes, the Lagos Plan of Action and the African Alternative Framework for Structural Adjustment Programmes, (b) carries out a global assessment of current trends of Africa's trade (c) reviews actions undertaken at the national,subregional and regional levels for the implementation of related recommendations in the Lagos Plan of Action and (d) reflects on ways and means of rationalizing and improving intergovernmental trade organizations for effective changes in the trade sectors of African countries as advocated in the Lagos Plan of Action.

II. THE IMPACT OF EXTERNALLY INDUCED ADJUSTMENT PROGRAMMES ON AFRICA'S TRADE

5. Under pressure of the dire economic crisis, most African countries could not honour their commitment to the guiding principles of self sustaining development processes and collective self reliance underlying the strategy of Monrovia and the Lagos Plan of Action. They were compelled to resort to international financing institutions such as the International Monetary Fund (IMF) and the World Bank. Conditionalities governing loans from such institutions have generally resulted in the adoption of trade-related adjustment programmes which have not always been in line with the overall economic policies of countries undergoing such programmes.

6. The externally induced adjustment programmes including those sponsored by the IMF invariably call for the:

(i) liberalization of external trade and payments including the removal of protectionist instruments (i.e. foreign exchange control, import licensing and control etc...),

(ii) privatization of productive sectors and the abolition of restrictive measures governing the activities of foreign capital (foreign and transnational corporations) including the transfer of profits,

(iii) devaluation of national currencies;

(iv) drastic reduction of state subsidies for food and social services;

(v) adoption of budgetary policies and fiscal incentives in favour of business enterprises (the most important of which are foreign firms). Reduction of direct and indirect taxes, extensively liberal investment codes and

(vi) freezing of wages and their maintaining at low levels by governments.1/

7. For those countries which adopted such policies the externally induced adjustment programmes resulted in the following: First, there was an apparent destruction of efforts to build up and strengthen national public and private productive and trading enterprises. Sub-enterprises were unable to compete in an open market with transnational corporations and other foreign firms of developed countries. This was accompanied by the stagnation and drop in production intended for domestic consumption, in particular food production while capital intensive industrial and service output for mostly foreign

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1/ See Folker Frobel, Jurgen Heinzicches, OTTO Krlye in "Wege ans der Wirtschafts Krise? In Physik, Philosophie and Politik Translated by the United Nations University as "Dead end-Western economic responses to the global economic crisis" (Development as Social Transformation - 4.NU Newsletter).

markets controlled by Transnational Corporations (TNC's) was given priority and increased. As a result of this there was an imbalance between local resource based production intended for national needs and extroverted production to the detriment of output for domestic and regional markets.

8. Other equally disturbing features were the destruction of the rural subsistance economy by capital intensive export-oriented agriculturual enterprises which will increase the emigration from rural areas to urban areas of the youngest productive agents 2/. The immediate obvious consequences of this is the countries' increased dependance on imports in particular of foods and a huge external indebtedness and the fact that in African countries, where there is no tradition of entrepreneurship and where domestic private capital is rather scanty the privatization of the economies will increase foreign firms and TNC's control, which is detrimental to any national attempt to build up self reliant economies. Countries that have carried out IMF related adjustment programmes and those which are currently implementing such programmes have clearly abandoned the basic and crucial principles of the Monrovia Strategy and the Lagos Plan of Action.

9. In the next section of this paper, we will relate certain policy assumptions underlying the externally induced adjustment programmes to Africa's trade development needs.

III. CONSTRAINTS AND OPPORTUNITIES OF AFRICA'S TRADE WITHIN THE CONTEXT OF STRUCTURAL ADJUSTMENT

A. The Externally Induced Adjustment Policies

(i) Domestic Trade

10. This is the mainstay of any endogeneous development approach. The rationalization and development of domestic trade requires the adoption of sound inward [illegible] production policies in order to establish and develop productive bases that would help meet domestic trade trends that are governed by two dysmetric factors. On the one hand, a very narrow production base that is qualitatively and quantitatively unable to cater for local needs, ("Africa Produces what it doesn't consume and consumes what it doesn't produce"). On the other hand, trading networks that are externally biaised, mainly because they are integrated with those of developed countries in the North. This situation can only be exacerbated by policy measures and instruments partaking in externally induced adjustment strategies. Strategies that have actually led to the weakening and destruction of native public and private enterprises or to the foiling of efforts to build up and strengthen local productive and trading organizations. Moreover production that was intended for domestic consumption, in particular agricultural production including food have stagnated and in most cases declined.

2/ See Ernest Feder in "Perverse Development" (Quezon City: Foundation for nationalist studies 1983), see also Hugo Radice, International Firms and Modern Imperialism, Penguin Books.

11. African countries' already excessive dependance on imports (including food imports) has increased and will be relentlessly increasing if changes in current policies are not undertaken. The rationalization and development of domestic markets and domestic trade through the increase of local output in those commodities locally consumed and the rationalization and expansion of domestic distribution networks, as advocated in the Lagos Plan of Action, are not likely to take place under such circumstances. In most African countries undergoing externally induced adjustment programmes, recessionary trends have emerged with the adoption and implementation of policies advocating the tightening of credit that resulted in the squeeze of production, an increase in unemployment, a decrease in investments and in losses of incomes.

12. Thus all the factors whose development is necessary for effective domestic trade to take place have been negatively curbed and the already narrow national markets have shrunk further. The dynamics of markets in general and in particular domestic markets, are a central feature in any development process because they determine production. What should be produced and how it should be produced are decisions that are predicated on this also. Hence the level of investments, productive activities and in the final analysis a country's potential for growth are closely related to these developments. Narrow and weak domestic markets will therefore inhibit self reliant, self sustaining and internally generated development processes.

(b) External Trade

13. The externally induced orthodox adjustment programmes invariably call, inter alia, for:

(i) the liberalization of external trade and payments,

(ii) the promotion and development of production for the increase of exports to world markets to generate incomes for the ultimate financing of development activities. The immediate increase in output for export is likely to be achieved in the primary commodities sector.

14. This external trade development strategy has not taken into account recent evolutions in the world markets. For example in the case of Primary Commodities, there has been:

(i) a long term decline in the share of primary commodities in world trade due not only to recessions in the industrialized countries but also to the increasing penetration of the world market by substitutes and technological innovations allowing significant savings in the processing raw materials;

(ii) a decrease of world demand of primary commodities following industrialized countries' decisions to exploit strategic commodities in existence in their own territories for their own needs and for exports to other developed countries (Britain's oil, USSR gaz etc...)

(iii) the fact that developing countries including African countries are now net importers of a wide range of raw materials and intermediate inputs to feed their industries;

(iv) price fluctuations in the world market which have been heavily against export of primary commodities especially those from Africa.

15. Turning to export prospects for manufactured goods by the African region, there are signs to indicate whether one can expect much insignificant change for Africa as a producer of such goods. There is also a severe and at times automatic restriction that closes the markets of developed countries to products from other developing countries in general and Africa in particular. Products most affected include textiles, beverages and canned food and the list could be extended to many other non-primary items. A third factor is the development of new techniques in the electronics industry and increasingly inexpensive automation within the context of the microelectronic revolutions which has increasingly put African out of the world market of a whole range of manufactured goods by reducing the cost advantages of manufacturing industries in African countries.

16. Looked at from a different angle the picture is no different from the above: African countries are still victims of the secular deterioration of the terms of trade. 3/ The structure of production and marketing enables the developed countries to retain as much as 80 per cent of retail prices of finished products. It is estimated that share of retail prices of final products accruing to producers of raw materials range from less than 5 per cent for tobacco, 12 per cent for bananas, 20 to 25 per cent for hides and skins and between 3 to 5 per cent for cotton 4/.

17. It is therefore increasingly obvious that the externally induced orthodox structural adjustment policies (including those advocated by the IMF) would result in maintaining Africa in the situation of over-dependence on international economic relations including foreign trade with developed market economies over which African countries would have no control.

18. Moreover the all pervasive liberalization policies including the liberalization of trade will further inhibit Africa's export potentials by weakening and sometimes destroying the emerging native productive and trading enterprises, victims of the transnational corporations' unfair competition. While exports tend to decline, imports increase which will aggravate deficits of balances of trade of African countries.

3/ See Prebisch, The economic development of Latin America and its principal problem, 1950.

4/ UNCTAD, Marketing and distribution of primary commodities: areas for further international cooperation (TD/229/SUPS)

19. The excessively orientated trade patterns (in most African countries the total of exports and imports represent more than 100 per cent of GDP) have excessively opened up national economies in the context of unequal competition detrimental to their endogenous development needs and in glaring contradiction with self reliant, self sustaining and internally generated development strategies underlying the Lagos Plan of Action.

(c) The issues of market distortions in Africa's Trade

20. One of the misconceptions in Africa's development policies is the absence of a clear linkage between production and marketing. We have indicated earlier how important markets are in any development process. The stress should therefore be put on the fact that markets are the major constraints in the economy of any country. 5/ The dynamics of markets are essential in the developed processes in that they determine production, investments and levels of cost and hence prices. Consideration should also be given to the large number of traditional local markets within any given single market, their links with advanced industrial economies, their dynamics and how these factors will affect efforts to combine, national into sub-regional and regional markets.

21. The linkages of African national markets with those of developed industrialized countries is mainly through the existence of growth poles within areas of extractive industries (oil and other minerals) in some African countries, these growth poles and the absence of adequate income distribution policies have led to the emergence of demand patterns emphasizing the import of non essential food items and luxury goods and the drain of foreign exchange to pay such imports in the detriment of local production and domestic trade. This is further exacerbated by modern communication and the uncontrolled use by TNCs of modern sophisticated marketing techniques such as mass advertising, promotion of brand names, consumer credit, market research, which help in creaming off high income level markets both nationally and sub-regionally, leaving little room for indigenous traders to flourish.

22. As a result of the current pattern, markets are characterized by two factors, (a) African markets being dominated and manipulated by transnational corporations and foreign firms and African countries becoming more dependant on imports of manufactured goods and technology as a result of deliberate differentiation of products 6/ (b) the African industrial sector, based as it is on import substitution is more narrowly specialized, more import intensive and less capable of developing backward linkages.

5/ See M. L. Jhinchan in The Economics of Development Planning, Vikas Publishing U.P., India (13th Edition)

6/ Radice op cit, see also report and papers of the Round Table on the role of TNCs in the Latin American Integration Process Organized by UNCTAD and UNCTC in 1978.

23. As a whole, externally induced structural adjustment programmes have been detrimental to the development of Africa's domestic trade and to its external trade relations. The already excessive extroversion of African economies has been exacerbated further. Production for local needs and hence local markets has further declined with the recessionary trends emerging from the squeeze of demand through credit tightening policies. The emphasis put on exports to the world markets to the detriment of local markets has done no better in the context of current trends of primary commodity markets and protective measures applied by developed countries to exports of commodities by developing countries in general and African countries in particular. It was therefore necessary to envisage other alternatives to the current externally induced structural adjustment strategies.

B. The internally induced adjustment strategies including "The African Alternative Framework for Structural Adjustment Programmes (AAF-SAP) 7/

24. These new types of structural adjustment policies re-emphasize the principles of self reliant, self sustaining and internally generated development processes advocated both in the Monrovia Strategy and the Lagos Plan of Action. While local factors of production, local markets and local horizontal distribution channels are privileged, external factors are not neglected either but they are deemed to play a supplementary rather than a central role in the development process. The latter's development is envisaged both through the diversification of commodities being traded and the diversification of trade directions (markets) with a view to mitigating Africa's excessively biased over dependence on the developed market economies in the west as well as improving the bargaining position in world markets. Implications of such strategies are:

7/ E/ECA/CM15/6/Rev. 3 "African Alternative Framework for Structural Adjustment Programmes for Socio-economic Recovery and Transformation"

(a) In the area of domestic trade

25. Policies in this area should put emphasis on (i) the widening of production bases for domestic consumption and the effective expansion of production of essential goods including food items to meet local demands. To this effect, selective credit policies and other incentives should boost investments in sectors producing to meet local needs. Efforts should also be deployed to divert consumption patterns from externally produced output to locally produced goods (ii) local horizontal trading and distribution networks should be built up and strengthened integrating urban and rural markets. Priority should be placed on agricultural production in general and mainly food crops, 8/ and hence agro industries to meet local food demand from local production. Industries dealing in leather, textile and garment, pharmaceutical products should be given due consideration in fostering local productive bases for domestic markets.

(b) External trade

26. In view of their debilitating effects, current external trade patterns of African countries emphasizing Africa's over dependance on foreign trade and foreign factors are to be seriously reviewed and re oriented. The classical and neo classical assumption that the export of primary commodities is the engine of growth 9/ should be abandoned. It has become more and more obvious in the light of the recent economic crisis that the impact of external factors on Africa's development is at best negligible and often negative. Cyclical crisis in the developed market economies directly affect African economies and recovery in the former have brought no improvement in Africa's economic performances in the last three years. As should not therefore overemphasize the role of external trade in development processes. Rather it should be viewed as a mere supplementary factor requiring measures to be adopted in order to check imbalances between domestic and external factors of development with a view to: (i) safeguarding domestic input factors (ii) domestic productive and trading enterprises and (iii) domestic markets for local production. As a result of this, the externally induced structural adjustment strategies including SAP, SAF advocate the following measures:

the reduction of Africa's overdependance on imports through restrictive import measures based on essential needs and productive factors (machines, raw materials)

the granting of reference to locally produced goods over imported items of the same type. For this purpose selected local production lines should be protected from unequal and unfair competition.

production bases for exports should be diversified through the processing of available primary commodities into semi finished and finished

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8/ AAF SAP (Doc. E/ECA/CM.15/6/Rev) recommends allocation of 20 to 25% of national budget to the agricultural sector.

9/ See G. Haberler International Economic Development 1959 and A.K. Cairncross Factors in Economic Development

products 10/ and through increased investments in the production of non traditional export items.

Africa's sources of imports and directions of exports should be diversified towards other markets than those of our traditional partners of the developed market economies (African markets, developing countries markets and the socialist countries of Eastern Europe, the newly industrialised countries of South East Asia and China). This would reduce over-dependance on traditional partners and strengthen bargaining positions of African countries.

(c) The urgent task of restructuring of African markets

27. There is an urgent need to undertake a serious analysis of prevailing market mechanisms and marketing practices in each African country taking into account the following: (i) policies and measures to correct the income distribution imbalances should be envisaged and applied; (ii) selective production lines and national public and private enterprises of strategic importance being identified, promoted and duly protected; (iii) discriminatory import programmes by putting emphasis on basic needs, especially food production and capital goods supportive of agricultural rehabilitation and reconstruction; (iv) giving greater attention to domestic markets to ensure that their integration in sub-regional and regional markets will not result in creating expanded markets for transnational corporations; and (v) in view of the narrow national African markets, it is imperative that development strategies be based on enlarged multinational markets (i.e. sub-regional and regional markets). To this end, the establishment of sub-regional common markets, common external tariffs could be accelerated to ensure the necessary protection Africa's productive and marketing enterprises that would have been established to cater for the enlarged sub-regional and regional markets.

28. Under pressure of the current Structural Adjustment Programmes, most African governments have been forced to abandon policies and related measures and recommendations based on the Lagos Treaty and the Lagos Plan of Action. They have nevertheless, gone far in their efforts to build the necessary institutional framework whose primary objective was to sustain their collective efforts towards the implementation of policies for the construction of collectively self reliant and self-sustaining economies. Such institutions are still of a crucial importance for the smooth implementation of AAPCR and the Lagos Plan of Action.

29. In the next section of this paper, these institutions will be reviewed in the light of actions and programmes carried out at the national, sub-regional and regional levels for the implementation of the Lagos Plan of Action. Ways and means of rationalising and strengthening trade promotion institutions for effective changes in Africa's trade.

10/ For this purpose emphasis should be put on Research and Development (R&D) for the identification of new products. Institutions such the Food Technology Research organizations should be built and strengthened.

IV. [illegible]

A. Review of existing trade arrangements

30. The development of intra-African trade as a mainstay of collective self reliance and self sustaining and internally generated development processes is a central feature of the Monrovia Strategy and the Lagos Plan of Action. The expansion of intra-regional trade can only be achieved within the framework of enlarged subregional markets. The tariff and non tariff barriers currently protecting the narrow national markets of African countries should be gradually removed. The increased awareness of African governments led to the adoption of related recommendations in the Lagos Plan of Action calling for the establishment and strengthening of multi-purpose subregional groupings with inter alia market integration schemes. In this regard, the establishment of the economic Community of West African States (ECOWAS) was followed by similar experiences in Eastern and Southern Africa with the creation of the Preferential Trade Area (PTA) associating countries in the subregion. In central Africa also is the establishment of the Economic Community of Central African States (CEEAC). All these subgroupings provide for the gradual elimination of tariff and non tariff barriers and the effective establishment of subregional common markets that would, at a later stage, come into a regional common market. Efforts are currently being deployed by north African countries for the establishment of their Preferential Trade Area along similar lines. Treaties of the various subregional groupings include provisions not only for trade liberalization but also for transit cooperation in industrial and agricultural development, payments, transport and communications.

31. These subregional groupings have evolved since their establishment and have reached various stages in the effective implementation of their trade liberalization programmes.

(a) In West Africa, difficulties have emerged with the attempts to rationalize and harmonize programmes of the very many subregional organizations (mainly ECOWAS, CEAO and the Mano River Union). Progress in this has been very little.

(b) In Central Africa, CEEAC has effectively established harmonization with UDEAC and CEPGL is still to take place.

(c) In Eastern and Southern Africa, gradual elimination of tariff and non-tariff barriers on products of the common list is progressing but the target date of 1992 for total elimination of such barriers could not be complied with; complete elimination of tariff barriers is now expected to take place beyond the year 2000.

(d) In North Africa, the initial inter-governmental negotiations are still to begin but meantime some of the countries within the subregion are associated in the Maghreb Arab Union (UMA) whose objectives are quite similar to those of existing African Preferential Trade Areas.

products 10/ and through increased investments in the production of non traditional export items.

Africa's sources of imports and directions of exports should be diversified towards other markets than those of our traditional partners of the developed market economies (African markets, developing countries markets and the socialist countries of Eastern Europe, the newly industrialized countries of South East Asia and China). This would reduce over-dependence on traditional partners and strengthen bargaining positions of African countries.

(c) The urgent task of restructuring of African markets

27. There is an urgent need to undertake a serious analysis of prevailing market mechanisms and marketing practices in each African country taking into account the following: (i) policies and mechanisms to correct the income distribution imbalances should be envisaged and applied; (ii) selective production lines and national public and private enterprises of strategic importance being identified, promoted and duly protected; (iii) discriminatory import programmes by putting emphasis on basic needs, especially food production and capital goods supportive of agricultural rehabilitation and reconstruction; (iv) giving greater attention to domestic markets to ensure that their integration in subregional and regional markets will not result in creating expanded markets for transnational corporations; and (v) in view of the narrow national African markets, it is imperative that development strategies be based on enlarged multinational markets (i.e. subregional and regional markets). To this end, the establishment of subregional common markets, common external tariffs could be accelerated to ensure the necessary protection Africa's productive and marketing enterprises that would have been established to cater for the enlarged subregional and regional markets.

28. Under pressure of the current structural adjustment programmes, most African governments have been forced to abandon policies and related measures and recommendations based on the approach contained in the Lagos Plan of Action. They have nevertheless kept for the time being the necessary institutional framework whose primary objective was to sustain their collective efforts towards the implementation of policies for the construction of collectively self reliant and self sustaining economies. Such institutions are still of a crucial importance for the smooth implementation of ASAP and the Lagos Plan of Action.

29. In the next section of this paper, these institutions will be reviewed in the light of actions and programmes carried out at the national, subregional and regional levels for the implementation of the Lagos Plan of Action. Ways and means of rationalizing and strengthening trade promotion institutions for effective changes in Africa's trade.

10/ For this purpose emphasis should be put on Research and Development (R&D) for the identification of new products. Institutions such the Food Technology Research organizations should be built and strengthened.

IV. INSTITUTIONAL MECHANISMS FOR TRADE DEVELOPMENT

A. Review of existing trade arrangements

30. The development of intra-African trade as a catalyst of collective self-reliance and self-sustaining and internally generated development processes is a central feature of the Monrovia Strategy and the Lagos Plan of Action. The expansion of intra-regional trade can only be achieved within the framework of enlarged subregional markets. The tariff and non-tariff barriers currently protecting the narrow national markets of African countries should be gradually removed. The increased awareness of African governments led to the adoption of related recommendations in the Lagos Plan of Action calling for the establishment and strengthening of multi-purpose subregional groupings with, inter alia, market integration schemes. In this regard, the establishment of the Economic Community of West African States (ECOWAS) was followed by similar experiences in Eastern and Southern Africa with the creation of the Preferential Trade Area (PTA) associating countries in the subregion. In central Africa also is the establishment of the Economic Community of Central African States (CEEAC). All these subgroupings provide for the gradual elimination of tariff and non-tariff barriers and the effective establishment of subregional common markets that would, at a later stage, come into a regional common market. Efforts are currently being developed by north African countries for the establishment of their Preferential Trade Area along similar lines. Treaties of the various subregional groupings include provisions not only for trade liberalization but also for transit, cooperation in industrial and agricultural development, payments, transport and communications.

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(b) In Central Africa, CEEAC has effectively established. Harmonization with UDEAC and CEPGL is still to take place.

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(d) In North Africa, the initial inter-governmental negotiations are still to begin but meantime some of the countries within the subregion are associated in the Maghreb Arab Union (UMA) whose objectives are quite similar to those of existing African preferential Trade Areas.

32. Secretariats of these groupings incorporate structural arrangements intended to accomodate a trade promtion unit catering for market research training in trade promotion and marketing techniques, trade fairs and business tours etc.

33. North Africa excluded one may say that the establishment of Preferential Trade Areas has been effectively completed within the timeframe agreed upon in the Final act of Lagos. The institutional frameworks are in existense in west, central eastern and southern Africa. Filling the frameworks is the area where delays and setbacks have been registered here and there. The trade liberalization programmes are lagging far behind schedules and this may have a delaying impact on the establishment of African common markets in the 1990's as recommended in the Final Act of Lagos.

34. Looking into the status of existing PTAs, one may find the target date of the year 2000 as unrealistic with regard to the effective establishment of the African Economic Community. delays already registered in the preparatory work for the establishment of the community are tangible signs that the latter might not be in existense by the year 2000, unless it is created notwithstanding the status and actual situations of subregional trading arrangements (TAs).

35. The consolidation of PTAs should be a priority task in the early 1990's. This will imply among others, accelerating the pace of trade liberalization and complementing the list with some strategic commodities such as food items, raw materials and intermediate inputs supplied, inter alia, to PTA multinational enterprises. Intergovernmental trade negotiations for mutual tariff concessions have always been rather difficult for individual national interests and differences in levels of development among negotiating countries are the usual deadlocks to any progress in tariff concessions. Thus, to smooth such negotiations and to accelerate their pace, mechanisms such as joint production and joint marketing enterprises should be rapidly established to cristalize narrow national interests and differences into community holdings and common interests to which each and every one would be ready to grant concessions for chances or benefits to accrue to everyone are greater. This would therefore link trade liberalization to the development of joint production and marketing enterprises one side and on the other side trade with production sharing or concessions are reached with regard to input factors of interest for productive enterprises.

B. Trade facilitation mechanisms

(a) Trade financing

36. Trade financing is one of the most critical aspects of trade promotion policies. Trade financing is nevertheless an area of low priority by African governments. Trade financing windows were virtually non existant in regional and subregional development banks including the African Development Bank (ADB). Attempts to accomodate trade financing in such banks are quite recent. The ADB started limited trade financing operations in the last two to three years. Subregional development financing institutions such as the West African Development Bank (BOAD), the Central African Development Bank (BDEAC) and the PTA Trade and

Development Bank for Eastern and Southern African States have rarely covered trade transactions. In addition, the lines of banks' operations are restricted to member States of the Trade Zone and therefore have a limited scope in dealing with non-members of their groupings. This leaves us with only one development bank of a subregional magnitude with a trade financing window, namely the PTA Trade and Development Bank.

37. The establishment of the ADB sponsored export and import bank which will function as an autonomous trade financing institution should be accelerated and fully fledged trade financing windows be opened within ECOWAS and CEAO. The latter should be re-structured and their membership and services extended to the entire West and Central African subregions respectively. The same type of banks should be established in North Africa.

38. Another impediment to the development of intra-African trade is the scarcity of foreign exchange to finance trade transactions. In order to reduce Africa's overdependance on foreign resources for the financing of intra-regional trade, Clearing and Payments mechanisms have been established in all subregions except North Africa. The objective is to form an African Payments Union at a latter stage. Initially, the subregional clearing houses might be coordinated at a payment window within the projected African Monetary Fund. The North African Clearing House is to be rapidly established to cover intra-North African Payments. Meantime the functioning of the existing clearing and payment arrangements should be assessed with a view to finding ways and means of increasing the volume of transactions through those mechanisms. One of the immediate actions that could be envisaged to improve the functioning of existing African Clearing Houses could be (i) the immediate channeling of all public transactions (through state trading organizations and other state agencies) through those mechanisms; (ii) incentives and/or legislative provisions should be applied to urge commercial banks to use clearing houses for intra-regional payments. Forwarding exchanges when established could also use these clearing houses.

(b) Trade promotion institutions

39. National trade promotion centres are in existence in most African countries but they are not functioning properly. A common problem encountered by these centres is the lack of resources for the funding their promotional activities. Extra budgetary resources from UNDP and/or other donor agencies do not provide long term solutions. It is therefore recommended that levies amounting to 0.50% of total import taxes be allotted to the financing of trade promotion activities at the national level and for participation in Subregional Trade Promotion Institutions. Activities of subregional trade promotion units within subregional trade promotion units within subregional groupings are not different either because their activities are hampered by repeated cash crisis.

40. At the regional level, Member States have established the African Association of Trade Promotion Organization (AATPO) whose primary objective is to provide technical support for its members and coordinate their trade promotion, information, marketing and market research activities. This organization is currently under a dire financial crisis to the extent that salaries of staff could not be paid

for months. Its structuring, re-alignment, the objectives and financial endowment of AATPO are urgent tasks. AATPO should move from the classical type of promotional activities (information, training, research) to more operational activities by acting as a proxy in identifying intra regional trade potentials at the micro level (entreprises) and ensuring effective transactions. AATPO would then charge fees (commissions) based on turnovers generated through it this would help it be self financing. For AATPO to undertake such changes member States should ensure the initial funding of the new AATPO by covering its operating costs for a period of one year.

41. The Federation of African Chambers of Commerce was founded in 1964 with a view to strengthening national chambers of commerce putting emphasis on their new role as trade promotion organizations and investment promotion centres. The Federation was supposed to promote cooperation between national chambers of commerce and their members in concrete ventures and to support governments' efforts in creating trade facilitation mechanisms and instruments. The Federation is facing two types of problems:

(i) the Arab Republic of Egypt does not seem to hold to its commitments as a host country of the Federation. Final negotiations for the signing of the headquarters agreement were long and fruitless in spite of the Federation's tremendous concessions on facilities and immunities subscribed by Egypt when it applied for the seating of the headquarters.

(ii) Financial contributions received are at too low a level to enable the secretariat start working. It is not incorrect to state here that one root cause is partly due to the attitude of the host government.

(iii) ECA's interim secretariat has taken steps to start carrying some of the activities of the Federation (including the preparation of a regional Trade Directory) but the functioning of the Federation is a matter which only the members themselves can bring about by reviewing what action needs taking through genuine commitment beyond the adoption of the original resolution.

(c) Operational institutions

42. These are types of organizations that ought to be directly involved in concrete trade transactions. Recommendations in the Lagos Plan of Action focussed on the following:

(d) Agricultural commodity exchanges

43. The increase in production expected under the Lagos Plan of Action as well as through rehabilitation and reconstruction of agro industries would entail higher demand for agricultural raw materials. Agricultural commodity exchanges are appropriate organizations for the promotion and intensification of exchanges in this area specially in situations characterized by shortages of foreign exchange for direct trading transactions. Activities of ECA on this came to a standstill with the lack of interest shown by member States after the completion of a feasibility study for Eastern and Southern African countries. It is has perhaps come to reconsider prospects for the establishment of such mechanisms

(e) Multinational production and marketing enterprises

44. Pre-feasibility studies and feasibility studies should be carried out with a view to determining

(a) areas where such enterprises are envisageable

(b) modalities for their effective establishment

(c) conditions under which such organizations would be profitable

45. This type of organizations are urgently needed in that they could ease negotiations for tariff and non tariff concessions on commodities of interest for them by helping overcome narrow national interests, which are, at present one of the main deadlocks to trade liberalization with subregional groupings.

V. CONCLUSION

46. It is indeed a very disturbing matter that 10 years after the adoption of the Lagos Plan of Action for the implementation of the Monrovia Strategy most African countries seem to have failed to devise and adopt trade policies for self reliant and self sustaining development. Instead, under pressure of the crisis, they have resorted to conservative recovery plans and programmes many of which make no reference to the Lagos Plan of Action. Over and above those plans rarely include trade patterns based on the export of primary commodities.

47. As indicated earlier in this paper, externally induced adjustment programmes have been largely detrimental to Africa's growth prospects. In fact the measures recommended within the framework of the current traditional adjustment programmes do not take into account the declining trends of the world market of commodities on which most African countries depend for export earnings. By their very nature, they do not take into account the dynamics of domestic markets without which, internally - generated development processes cannot take place. African countries continued to be overdependant on external factors detrimental to their economies, the contribution of such factors to Africa's development is largely negligible. Some form of "delinking" was and is therefore still necessary.

48. What this paper advocates is internally [illegible] that put emphasis on structural transformation and long term development processes. In particular enlarging the domestic markets and greater exploitation of subregional and regional African markets are the mainstay for a genuine development. Hence the importance of understanding domestic market mechanisms and dynamics for they determine production, what should be produced, how it should be produced and hence the level of investments and activities of enterprises. Markets could [illegible] development processes.